

**Child,  
Van Wagoner &  
Bradshaw, PLLC**

**Emery County Housing Authority**

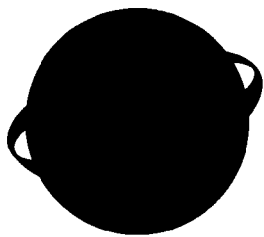
**Independent Auditors' Reports, Management's  
Discussion and Analysis, and Supplemental  
Information**

**March 31, 2006**

# Emery County Housing Authority

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# Child, Van Wagoner & Bradshaw, PLLC

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## Independent Auditors' Report on Financial Statements and Supplementary Schedules

To the Board of Commissioners  
Emery County Housing Authority  
Castle Dale, Utah

We have audited the accompanying financial statements of the business-type activity of the Emery County Housing Authority (the Authority), as of and for the year ended March 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Authority as of March 31, 2006, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2006, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Board of Commissioners  
Emery County Housing Authority

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedules I and II on pages 21 through 26 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statement of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Child, Van Wagoner & Bradshaw*

Child, Van Wagoner & Bradshaw, PLLC

Kaysville, Utah

September 14, 2006

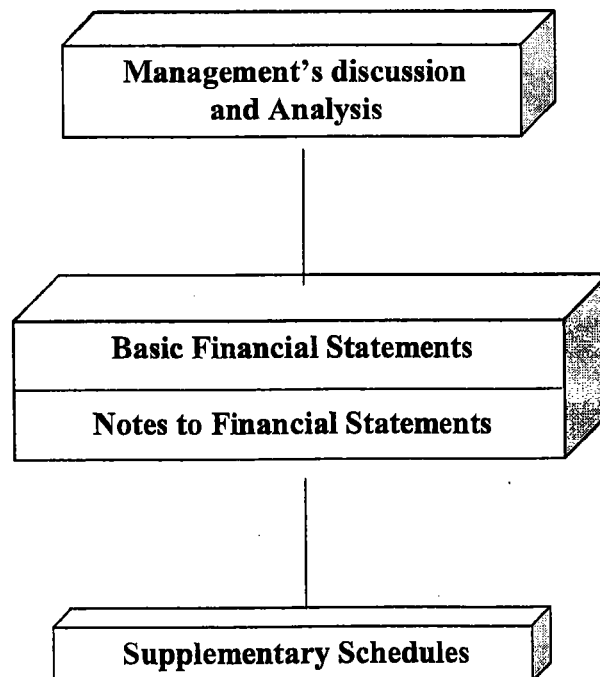
**Emery County Housing Authority  
Management's Discussion and Analysis (MD&A)  
Year Ended March 31, 2006**

**INTRODUCTION**

The Emery County Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the Emery County area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and pass through awards through other state and local government agencies. The Authority is governed by a five-member board of commissioners, which is appointed by the county commissioners of Emery County. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended March 31, 2006, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The Authority's FY2006 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related to our basic financial statements.



**Emery County Housing Authority**  
**Management's Discussion and Analysis (MD&A) (continued)**  
**Year Ended March 31, 2006**

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Activities and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

### **FINANCIAL HIGHLIGHTS**

Under GASB Statement No. 34, the Authority's business-type activity financial statements for FY2006 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority decreased \$21,247 as of March 31, 2006, from the prior year.
- Operating revenues of the Authority increased by \$48,817 from prior year results.
- The decrease in cash and cash equivalents for the year was \$32,764.
- Current liabilities increased \$7,478 over prior year results.
- Long-term liabilities increased \$4,756 over prior year results.

### **AUTHORITY FINANCIAL STATEMENTS**

The Authority is presenting its FY2006 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the Statement of Net Assets; the Statement of Activities and changes in net assets; and the statement of cash flows. The Statement of Net Assets reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

**Emery County Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended March 31, 2006**

- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt or restricted net assets*.

The Statement of Activities and Changes in Net Assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenues and expenses, such as investment income and interest expense. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents three different programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by management fees, and by investment income and loan proceeds. In FY2006, the following programs make up the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.
- *Low-Rent Public Housing Program* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing owned by the Authority.
- *Capital Funds Program* – This program is funded by HUD to improve and maintain housing owned by the Authority.

**Emery County Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended March 31, 2006**

**Net Assets**

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

**Emery County Housing Authority**  
**Statement of Net Assets**

	2006	2005	Total Percentage Change
Current assets	\$ 145,377	\$ 187,159	(22.3%)
Restricted deposits	7,230	771	837.7%
Fixed assets, net of depreciation	724,290	698,950	3.6%
Total assets	876,897	886,880	(1.1%)
Current liabilities	18,412	10,934	68.4%
Deposits and prepaid liabilities	3,399	4,368	(22.2%)
Noncurrent liabilities	23,527	18,771	25.3%
Total liabilities	45,338	34,073	33.1%
Net assets:			
Invested in capital assets	724,290	698,950	3.6%
Restricted net assets	-	(3,622)	100.0%
Unrestricted net assets	107,269	157,479	(31.9%)
Total net assets	\$ 831,559	\$ 852,807	2.5%

The Authority's total assets at March 31, 2006 were \$876,897, a decrease of \$1,391, or 0.2%, from March 31, 2005.

***Restricted deposits***

Restricted deposits increased by \$6,459 (837.7%) as of March 31, 2006 compared with March 31, 2005. The primary cause for this increase was the Authority increasing the money in the tenant security deposit account to accurately cover the liability.

***Current liabilities***

Current liabilities increased by \$7,478 (68.4%) as of March 31, 2006 compared with March 31, 2005. The primary source of the increase was due to in accounts payable and deferred revenues.



**Emery County Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended March 31, 2006**

**Net Assets**

The Authority's net assets increased by \$10,988 (1.3%), during FY2006. At March 31, 2006, investments in capital assets comprise about 83% of the Authority's total assets. The amount invested in capital assets amounts to about 87% of total net assets.

The Authority's net assets also consist of unrestricted net assets. Unrestricted net assets includes cash in the bank, receivables, and other assets less all other liabilities not previously applied. At March 31, 2006, unrestricted net assets amounts to about 13% of total net assets.

**Statement of Activities and Changes in Net Assets**

The results of operations for the Authority are presented below:

Emery County Housing Authority Statement of Activities and Changes in Net Assets				
	2006	2005	Increase/(Decrease) Amount	Percentage
Operating revenues:				
Net tenant rental revenue	\$ 4,513	\$ 8,101	\$ (3,588)	(44.3%)
HUD PHA operating grants	388,213	408,232	(20,019)	(4.9%)
Capital grants	64,574	-	64,574	N/A
Other operating revenue	10,854	3,004	7,850	261.3%
Total operating revenues	<u>468,154</u>	<u>419,337</u>	<u>48,817</u>	
Operating expenses:				
Administration	154,860	122,212	32,648	26.7%
Utilities	9,926	7,776	2,150	27.8%
Operating and maintenance	35,770	51,342	(15,572)	(30.3%)
Insurance	8,241	6,877	1,364	19.8%
Taxes	-	32	(32)	(100.0%)
Housing assistance payments	238,744	247,507	(8,763)	(3.5%)
Depreciation	42,845	40,735	2,110	5.2%
Total operating expenses	<u>490,386</u>	<u>476,481</u>	<u>13,905</u>	
Operating loss	<u>(22,232)</u>	<u>(57,144)</u>	<u>34,912</u>	
Nonoperating revenues:				
Interest income	985	485	500	103.1%
Nonoperating revenues, net	<u>985</u>	<u>485</u>	<u>500</u>	
Change in net assets	<u>\$ (21,247)</u>	<u>\$ (56,659)</u>	<u>\$ 35,412</u>	

**Emery County Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended March 31, 2006**

Operating revenues of the Authority's activities are generated principally from HUD PHA operating grants. In FY2006, the Authority's revenues for its activities totaled \$468,154. Of this total, \$388,213 (82.9%), is from HUD PHA operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$490,386, of which \$238,744 (48.7%), was housing assistance payments.

About 0.2% of the Authority's total revenues in FY2006 were nonoperating revenues that are derived from interest income. The remaining 99.8% were operating revenues derived from dwelling rentals (0.9%), HUD PHA operating revenues (82.8%), capital grants (13.8%), and other operating revenues (2.3%).

Operating expenses comprise administration (31.6%), utilities (2%), operating and maintenance (7.3%), insurance (1.7%), housing assistance payments (48.7%), and depreciation (8.7%).

Decrease in net assets for the year ended March 31, 2006 was \$21,247 compared with a decrease of \$56,659 for the year ended March 31, 2005. Factors contributing to these results included:

- Increase in capital grants.

**CAPITAL ASSETS**

The Authority's capital assets as of March 31, 2006, included land, buildings, and furniture and equipment that totaled \$724,290, most of which consists of rental units available for lease to low- and moderate-income residents. Capital assets, net of depreciation, increased \$25,340 from the preceding year.

	2006	2005	Change
Land	\$ 91,680	\$ 91,680	\$ -
Buildings	1,003,473	969,668	33,805
Furniture and equipment – dwellings	28,938	28,443	495
Furniture and equipment – administrative	24,909	24,909	-
Leasehold improvements	375,129	362,828	12,301
Construction in progress	35,968	17,500	18,468
Total net assets	1,560,097	1,495,026	65,071
Accumulated depreciation	(835,807)	(796,078)	(39,729)
Total	<u>\$ 724,290</u>	<u>\$ 698,950</u>	<u>\$ 25,340</u>

**Emery County Housing Authority  
Management's Discussion and Analysis (continued)  
Year Ended March 31, 2006**

**CONTACTING AUTHORITY MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, Emery County Housing Authority, P.O. Box 551, 95 East Main Street, Room 115, Castle Dale, UT 84513.

**Emery County Housing Authority**  
**Statement of Net Assets**  
**March 31, 2006**

**ASSETS**

Current Assets:

Cash - unrestricted (Note 2)	\$ 82,675
Accounts receivable - HUD	56,396
Accounts receivable - miscellaneous	1,985
Accounts receivable - tenants	991
Prepaid expenses and other assets	3,330
Total current assets	<u>145,377</u>

Restricted Deposits: (Note 2)

Cash - restricted	3,726
Cash - tenants' security deposits	3,504
Total restricted deposits	<u>7,230</u>

Fixed Assets: (Note 3)

Land	91,680
Buildings	1,003,473
Furniture and equipment - dwellings	28,938
Furniture and equipment - administrative	24,909
Leasehold improvements	375,129
Construction in progress	35,968
Total fixed assets	<u>1,560,097</u>
Accumulated depreciation	<u>(835,807)</u>
Net fixed assets	<u>724,290</u>

Total assets

\$ 876,897

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$ 5,829
Accrued wages and payroll taxes	6,115
Accrued compensated absences - current portion	2,762
Deferred revenue	3,706
Total current liabilities	<u>18,412</u>

Deposits and Prepaid Liability:

Tenant security deposits	3,399
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Long-Term Liabilities:

Accrued compensated absences-noncurrent portion	23,527
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Total liabilities

45,338

**NET ASSETS**

Invested in capital, net of related debt	724,290
Unrestricted net assets	<u>107,269</u>
Total net assets	<u>831,559</u>

Total liabilities and net assets

\$ 876,897

See accompanying notes to financial statements.

**Emery County Housing Authority  
Statement of Activities,  
and Changes in Net Assets  
Year Ended March 31, 2006**

**OPERATING REVENUES**

Net tenant rental revenue	\$ 4,513
HUD PHA operating grants	388,213
Capital grants	64,574
Other income	10,854
Total operating revenues	<u>468,154</u>

**OPERATING EXPENSES**

Administrative	154,860
Utilities	9,926
Operating and maintenance	35,770
Insurance	8,241
Housing assistance payments	238,744
Depreciation	42,845
Total operating expenses	<u>490,386</u>
Operating loss	(22,232)

**Non-operating revenues:**

Investment income - unrestricted	<u>985</u>
Net non-operating revenues	<u>985</u>

Change in net assets (21,247)

Net assets at beginning of year	820,570
Cumulative effect of prior year adjustment (Note 8)	32,236
Net assets at end of year	<u><u>\$ 831,559</u></u>

See accompanying notes to financial statements.

**Emery County Housing Authority  
Statement of Cash Flows  
Year Ended March 31, 2006**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Dwelling Rents	\$ 3,848
HUD PHA operating grants	388,213
Capital Grants	71,976
Other operating revenues	16,914
Interest	985
Total receipts	<u>481,936</u>
Administrative	28,794
Utilities	9,926
Salaries and employee benefits	117,611
Operating and maintenance	35,770
Insurance	8,241
Tenants' security deposits	3,727
Housing Assistance Payments	238,744
Total disbursements	<u>442,813</u>
Net cash provided by operating activities	39,123

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net change in restricted deposits	<u>(3,701)</u>
Net cash used in investing activities	(3,701)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of fixed assets	<u>(68,186)</u>
Net cash used in capital and related financing activities	(68,186)
Net decrease in cash and cash equivalents	(32,764)
Cash and cash equivalents at beginning of year	115,439
Cash and cash equivalents at end of year	<u>\$ 82,675</u>

**NONCASH INVESTING AND FINANCING ACTIVITIES**

Disposal of fully depreciated fixed assets	\$ 3,116
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See accompanying notes to financial statements.

**Emery County Housing Authority  
Statement of Cash Flows (continued)  
Year Ended March 31, 2005**

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	\$ (21,247)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	42,845
(Increase) decrease in assets:	
Accounts receivable - HUD	3,754
Accounts receivable - miscellaneous	6,060
Accounts receivable - tenants	(665)
Prepaid expenses	(131)
Tenants' security deposits	(2,758)
Increase (decrease) in liabilities:	
Accounts payable	2,269
Accrued wages and payroll taxes payable	486
Accrued compensated absences	5,798
Tenants security deposits	(969)
Deferred revenue	3,681
Net cash provided by operating activities	<u>\$ 39,123</u>

See accompanying notes to financial statements.

**Emery County Housing Authority**  
**Notes to Financial Statements**  
**Year Ended March 31, 2006**

**1. Summary of Significant Accounting Policies**

Organization and History

The Emery County Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs under the Housing Act of 1937, as amended. The programs; Section 8 Housing Choice Vouchers, Low-Rent Public Housing, and Capital Funds, are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD).

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. Management of the Authority and Emery County (the County) has determined that the Authority is not a component unit of the County or any other government entity under the criteria of GASB No. 14, as amended by GASB No. 39, since the County exercises no oversight responsibility either financially or administratively over the Authority.

Additionally, management is not aware of other government entities that should be included with the Authority's financial statements as component units in accordance with GASB No. 14, as amended by GASB No. 39.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.



**Emery County Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended March 31, 2006**

**1. Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (continued)**

In June 1999, the GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments.*" This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

**Management's Discussion and Analysis (new in the current year)** – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

**Statement of Net Assets** – The Statement of Net Assets is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

**Statement of Cash Flows** – The direct method is required by GASB Statement No. 34.

**Basis of Accounting**

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals, management fees, and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

**Emery County Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended March 31, 2006**

**1. Summary of Significant Accounting Policies (Continued)**

Cash and Cash Equivalents

The Authority considers all highly liquid debt and equity instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at March 31, 2006 consist of cash and certificates of deposit. Not included as cash and cash equivalents are tenants' security deposits and restricted cash.

Fixed Assets

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, as shown below. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to buildings, furnishings, and equipment are capitalized. Construction in progress commences depreciation when the construction is complete and related assets placed in service.

<u>Major Groupings</u>	<u>Useful Lives (years)</u>
Buildings	15-40
Furniture and equipment - dwellings	5-10
Furniture and equipment - administrative	5-7
Leasehold improvements	15-40

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, Opinion 20 required that most voluntary changes in accounting principle be recognized by including in net income of the period of change the cumulative effect of changing to a new principle. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, when practicable. The adoption of SFAS No. 154 would not have had a material impact on the Authority's financial condition or results of operations since the correction of prior year financial statements (see note 8), was accounted for retroactively in accordance with Opinion 20.

**Emery County Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended March 31, 2006**

**2. Deposits**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The Authority follows the requirements of the Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of March 31, 2006, the Authority's bank balances of \$93,517 was insured and collateralized.

**3. Summary of Changes in Fixed Assets**

A summary of changes in fixed assets for the year ended March 31, 2006, is as follows:

	<u>Balance</u> <u>3/31/2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>3/31/2006</u>
Land	\$ 91,680	\$ -	\$ -	\$ 91,680
Buildings	969,668	33,805	-	1,003,473
Furniture & equipment – dwellings	28,443	3,612	(3,117)	28,938
Furniture & equipment – administrative	24,909	-	-	24,909
Leasehold improvements	362,828	12,301	-	375,129
Construction in progress	17,500	18,468	-	35,968
Total fixed assets	<u>\$ 1,495,028</u>	<u>\$ 68,186</u>	<u>\$ (3,117)</u>	<u>\$ 1,560,097</u>
Accumulated depreciation				<u>(835,807)</u>
Net fixed assets				<u>\$ 724,290</u>

**Emery County Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended March 31, 2006**

**4. Deferred Compensation Plan**

The Authority established a deferred compensation plan on July 1, 1995, under Section 457 of the Internal Revenue Code of 1954. The maximum amount that may be deferred under this plan for the taxable year of the participant may not exceed 10 percent of the participant's annual salary. The payments are expensed when disbursed. Total compensation plan expense for the year ended March 31, 2006 was \$4,735.

The employer shall cause an individual account to be maintained for each full-time employee after one year of employment. At March 31, 2006, there was one plan member. The Authority remits the funds to an insurance company that does the investing for each participant. Annual statements are given to each participant. The plan is in the Authority's name. The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

**5. Economic Dependency**

A substantial portion of the Authority's revenue comes from U.S. Department of Housing and Urban Development. Programs operated by the Housing Authority depend upon continued funding by the U.S. Government.

**6. Risk Management and Concentrations of Credit Risk**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts, which the Authority pays in the event of any loss. The Authority also has purchased a workers' compensation policy. Settled claims resulting from losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Authority's customers are primarily low-income rental tenants in the Castle Dale and Ferron areas that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received.

**7. Interprogram Receivables and Payables**

The Authority has interprogram receivables and payables totaling \$25,878 that have been eliminated on the financial statements.

**Emery County Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended March 31, 2006**

**8. Prior Year Adjustment**

For the year ended March 31, 2005 the Authority had recorded a liability of \$23,645 from the Section 8 Housing Choice Voucher program. Which represented amounts purportedly due to HUD for unused Housing Assistance Payments (HAP). Due to an earlier procedural change in the way HUD requires housing authorities to reconcile and account for unused (due to HUD) and underfunded (due from HUD) HAP payments, the Authority concluded its payable of \$23,645 at March 31, 2005 was overstated by \$32,236 resulting in a corrected due from HUD balance of \$8,591. The prior year adjustment was made to correct the accounts payable to HUD as an accounts receivable from HUD. As a result, accounts receivable were understated by \$8,591 and accounts payable overstated by \$23,645. Accordingly, a prior year adjustment was made to increase receivables by \$8,591 and decrease payables by \$23,645, which increased net assets by \$32,236.

## **Supplementary Schedules**

**Emery County Housing Authority**  
**Financial Data Schedule I – Statement of Net Assets**  
**March 31, 2006**

PHA: UT015 FYED: 03/31/2006

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$475 -	\$82,200	\$0	\$0	\$82,675
112	Cash - Restricted - Modernization and Development	\$20	\$0	\$3,706	\$0	\$3,726
114	Cash - Tenant Security Deposits	\$3,504 -	\$0	\$0	\$0	\$3,504
100	Total Cash	\$3,999	\$82,200	\$3,706	\$0	\$89,905
122	Accounts Receivable - HUD Other Projects	\$25,920	\$8,591	\$21,885	\$0	\$56,396
125	Accounts Receivable - Miscellaneous	\$1,985	\$0	\$0	\$0	\$1,985
126	Accounts Receivable - Tenants - Dwelling Rents	\$991	\$0	\$0	\$0	\$991
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$28,896	\$8,591	\$21,885	\$0	\$59,372
142	Prepaid Expenses and Other Assets	\$3,330	\$0	\$0	\$0	\$3,330
144	Interprogram Due From	\$21,885	\$3,993	\$0	\$0	\$25,878
150	Total Current Assets	\$58,110	\$94,784	\$25,591	\$0	\$178,485
161	Land	\$91,680	\$0	\$0	\$0	\$91,680
162	Buildings	\$969,668	\$0	\$33,805	\$0	\$1,003,473
163	Furniture, Equipment & Machinery - Dwellings	\$28,938	\$0	\$0	\$0	\$28,938
164	Furniture, Equipment & Machinery - Administration	\$13,888	\$11,221	\$0	\$0	\$24,909
165	Leasehold Improvements	\$362,828	\$0	\$12,301	\$0	\$375,129
166	Accumulated Depreciation	\$-830,476	\$-4,563	\$-768	\$0	\$-835,807
167	Construction In Progress	\$0	\$0	\$35,988	\$0	\$35,988
160	Total Fixed Assets, Net of Accumulated Depreciation	\$636,326	\$6,658	\$61,306	\$0	\$724,290
180	Total Non-Current Assets	\$836,326	\$6,658	\$61,306	\$0	\$724,290
190	Total Assets	\$694,436	\$101,442	\$106,897	\$0	\$902,775

**Emery County Housing Authority**  
**Financial Data Schedule I – Statement of Net Assets (continued)**  
**March 31, 2006**

PHA: UT015 FYED: 03/31/2006

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
312	Accounts Payable <= 90 Days	\$2,156	\$3,673	\$0	\$0	\$5,829
321	Accrued Wage/Payroll Taxes Payable	\$989	\$5,146	\$0	\$0	\$6,115
322	Accrued Compensated Absences - Current Portion	\$1,105	\$1,657	\$0	\$0	\$2,762
341	Tenant Security Deposits	\$3,399	\$0	\$0	\$0	\$3,399
342	Deferred Revenues	\$0	\$0	\$3,706	\$0	\$3,706
347	Interprogram Due To	\$3,993	\$0	\$21,885	\$0	\$25,878
310	Total Current Liabilities	\$11,622	\$10,476	\$25,591	\$0	\$47,689
354	Accrued Compensated Absences - Non Current	\$9,411	\$14,116	\$0	\$0	\$23,527
350	Total Noncurrent Liabilities	\$9,411	\$14,116	\$0	\$0	\$23,527
300	Total Liabilities	\$21,033	\$24,592	\$25,591	\$0	\$71,216
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$636,326	\$6,658	\$81,306	\$0	\$724,290
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$37,077	\$70,192	\$0	\$0	\$107,269
513	Total Equity/Net Assets	\$673,403	\$76,850	\$81,306	\$0	\$831,559
600	Total Liabilities and Equity/Net Assets	\$694,436	\$101,442	\$106,897	\$0	\$902,775



**Emery County Housing Authority**  
**Financial Data Schedule II – Statement of Activities**  
**and Changes in Net Assets**  
**Year Ended March 31, 2006**

PHA: UT015 FYED: 03/31/2006

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$4,513	\$0	\$0	\$0	\$4,513
705	Total Tenant Revenue	\$4,513	\$0	\$0	\$0	\$4,513
706	HUD PHA Operating Grants	\$71,414	\$306,799	\$10,000	\$0	\$388,213
706.1	Capital Grants	\$0	\$0	\$64,574	\$0	\$64,574
711	Investment Income - Unrestricted	\$482	\$503	\$0	\$0	\$985
715	Other Revenue	\$9,265	\$0	\$0	\$0	\$9,265
700	Total Revenue	\$85,674	\$307,302	\$74,574	\$0	\$467,550

**Emery County Housing Authority**  
**Financial Data Schedule II – Statement of Activities**  
**and Changes in Net Assets (continued)**  
**Year Ended March 31, 2006**

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
911	Administrative Salaries	\$21,768	\$61,504	\$0	\$0	\$83,272
912	Auditing Fees	\$1,800	\$5,400	\$0	\$0	\$7,200
914	Compensated Absences	\$2,320	\$3,479	\$0	\$0	\$5,799
915	Employee Benefit Contributions - Administrative	\$8,859	\$25,965	\$0	\$0	\$34,824
916	Other Operating - Administrative	\$5,450	\$16,727	\$0	\$0	\$22,177
931	Water	\$5,664	\$0	\$0	\$0	\$5,664
932	Electricity	\$1,233	\$0	\$0	\$0	\$1,233
933	Gas	\$2,021	\$0	\$0	\$0	\$2,021
938	Other Utilities Expense	\$1,008	\$0	\$0	\$0	\$1,008
942	Ordinary Maintenance and Operations - Materials and Other	\$5,620	\$0	\$0	\$0	\$5,620
943	Ordinary Maintenance and Operations - Contract Costs	\$27,916	\$2,234	\$0	\$0	\$30,150
961	Insurance Premiums	\$5,002	\$3,239	\$0	\$0	\$8,241
969	Total Operating Expenses	\$88,661	\$118,548	\$0	\$0	\$207,209
970	Excess Operating Revenue over Operating Expenses	\$-2,887	\$188,754	\$74,574	\$0	\$260,341
973	Housing Assistance Payments	\$0	\$238,744	\$0	\$0	\$238,744
974	Depreciation Expense	\$40,263	\$1,813	\$768	\$0	\$42,844
900	Total Expenses	\$128,924	\$359,105	\$768	\$0	\$488,797
1001	Operating Transfers In	\$10,000	\$0	\$0	\$0	\$10,000
1002	Operating Transfers Out	\$0	\$0	\$-10,000	\$0	\$-10,000
1010	Total Other Financing Sources (Uses)	\$10,000	\$0	\$-10,000	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-33,250	\$-51,803	\$63,806	\$0	\$-21,247

PHA: UT015 FYED: 03/31/2006

**Emery County Housing Authority**  
**Financial Data Schedule II – Statement of Activities**  
**and Changes in Net Assets (continued)**  
**Year Ended March 31, 2006**

PHA: UT015 FYED: 03/31/2006

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$706,295	\$95,187	\$17,500	\$1,588	\$820,570
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$358	\$33,466	\$0	\$-1,588	\$32,236
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$305,350	\$0	\$0	\$305,350
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$305,350	\$0	\$0	\$305,350
1120	Unit Months Available	288	816	0	0	1,104
1121	Number of Unit Months Leased	242	789	0	0	1,031

**Emery County Housing Authority  
Notes to Financial Data Schedule  
Year Ended March 31, 2006**

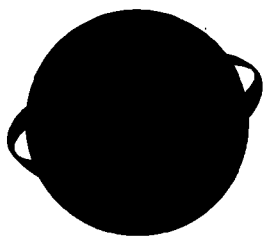
**1. Basis of Presentation**

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

**2. Reconciliation to Basic Financial Statements**

The following reconciles combined balances of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedules to the basic financial statements:

	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>	<u>Net loss</u>
Balances per Financial Data Schedules	\$ 902,775	\$ 71,216	\$ 831,559	\$ (21,247)
Elimination of interprogram balances	<u>(25,878)</u>	<u>(25,878)</u>	<u>-</u>	<u>-</u>
Balances per basic financial statements	<u>\$ 876,897</u>	<u>\$ 45,338</u>	<u>\$ 831,559</u>	<u>\$ (21,247)</u>



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## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
Emery County Housing Authority  
Castle Dale, Utah

We have audited the financial statements of the business activity and major fund of the Emery County Housing Authority (the Authority) as of and for the year ended March 31, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 14, 2006. That report noted that the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Board of Commissioners  
Emery County Housing Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Child, Van Wagoner & Bradshaw*

Child, Van Wagoner & Bradshaw, PLLC  
Kaysville, Utah  
September 14, 2006

**Emery County Housing Authority  
Schedule of Findings and Questioned Costs  
Year Ended March 31, 2006**

No matters were reported for the fiscal year ended March 31, 2006.

**Emery County Housing Authority**  
**Schedule of Findings and Questioned Costs - Prior Year**  
**Year Ended March 31, 2006**

Finding 05-1

*Condition:* The security deposit bank account balance in the Low-Rent Public Housing program was insufficient to cover the liability due to the tenants in occupancy at March 31, 2006. The security deposits liability exceeded the security deposits held in trust by \$3,622 at March 31, 2006.

*Criteria:* Per HUD Regulations, maintaining a fully funded security deposit account helps to ensure that management will be able to make refunds to all tenants.

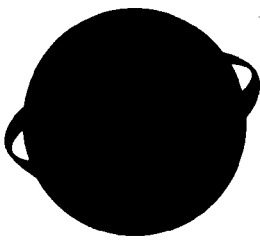
*Effect:* This resulted in the tenant security deposit account being under funded by \$3,622 as of March 31, 2006.

*Cause:* Management failed to maintain the deposit balance as required.

*Recommendation:* We recommend that the Authority take the necessary steps to fully fund the security deposit account.

*Status:* Closed.





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## Emery County Housing Authority Independent Auditors' Report on State of Utah Legal Compliance Year Ended March 31, 2006

Board of Commissioners  
Emery County Housing Authority  
Castle Dale, Utah

We have audited the financial statements of the Emery County Housing Authority (the Authority), for the year ended March 31, 2006, and have issued our report thereon dated September 14, 2006. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management  
Other Compliance Requirements

The Authority did not receive any major or nonmajor State grants during the year ended March 31, 2006.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended March 31, 2006.

*Child, Van Wagoner & Bradshaw*  
Child, Van Wagoner & Bradshaw, PLLC  
Kaysville, UT  
September 14, 2006

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